

**REPORT OF THE AUDIT OF THE
LIVINGSTON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LIVINGSTON COUNTY FISCAL COURT

June 30, 2005

The Auditor of Public Accounts has completed the audit of the Livingston County Fiscal Court for fiscal year ended June 30, 2005. We have issued unqualified opinions, based on our audit, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Livingston County, Kentucky.

Financial Condition:

The county had net assets of \$5,582,527 as of June 30, 2005. The county had unrestricted net assets of \$1,790,925 in its governmental funds as of June 30, 2005, with total net assets of \$5,573,783. In its enterprise fund, total net cash and cash equivalents were \$2,324 with total net assets of \$8,744.

Deposits:

The county's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Christopher K. Lasher, Livingston County Judge/Executive
Members of the Livingston County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Livingston County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Livingston County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Livingston County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Livingston County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Christopher K. Lasher, Livingston County Judge/Executive
Members of the Livingston County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Livingston County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2006 on our consideration of Livingston County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 30, 2006

LIVINGSTON COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

Christopher K. Lasher	County Judge/Executive
Terry Stringer	Magistrate
William "Jerry" Deatherage	Magistrate
Ivus Crouch	Magistrate
Delmer Joe O'Bryan	Magistrate

Other Elected Officials:

Billy N. Riley	County Attorney
Benjamin Guill	Jailer*
Carroll D. Walker	County Clerk
Jackie Doom	Circuit Court Clerk
Tommy Williams	Sheriff
Sue Ann Carver	Property Valuation Administrator
Jeff Armstrong	Coroner

Appointed Personnel:

Tracie Belcher	County Treasurer
Tracy Mitchell	Occupational Tax Collector
Tana Doom	Finance Officer
Cindy Mifflin	Human Resource
Paul Quertermous	Road Supervisor
Hershel Evans	911 Administrator
Debbie Willbanks	Jail Administrative Assistant

* The Livingston County Jail discontinued housing inmates as of May 16, 2005.

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Chris Lasher
Livingston County Judge Executive

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**Livingston County
Management's Discussion and Analysis
June 30, 2005**

Introduction

Our management discussion and analysis (MD&A) of the County's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the County's financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities by \$5,573,783.
- Governmental revenues fell short of governmental expenditures by \$724,567. This was a result of grant monies received in the previous year and expended in the current fiscal year.
- Governmental revenues decreased by \$1,329,532 from prior year governmental revenues as a result of grants received in the previous fiscal year.
- The county received \$146,765 in Homeland Security and Weapons of Mass Destruction grants to support the functions of protection to persons and property.
- The County received \$159,097 in State reimbursements for various road projects.
- The County received \$10,689 in Emergency Medical Services grant (Senate 66 grant) to use toward purchase of new ambulance for 05/06 fiscal year.
- The County received \$23,593 from Environmental and Public Protection Cabinet to support a solid waste management plan.
- The County received \$8,600 from Natural Resources and Environmental Protection Cabinet, Kentucky Heritage Land Conservation Fund to support the purchase of property for preservation and conservation efforts.
- The County received a FEMA reimbursement of \$50,876 to support cost from a declared disaster.

Overview of the Financial Statements

The Management Discussion & Analysis serves as an introduction to the County's basic financial statements, which consists of the two government-wide financial statements, the various fund financial statements, and the notes to the financial statements. Immediately following the notes to the financial statements in the budgetary schedule for the General Fund and other major Special Revenue Funds as well as any additional combining schedules for non-major funds and schedule of expenditures of federal awards (SEFA) if necessary. The County's Financial Statements are made up of the following:

Livingston County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Government-Wide Financial Statements. The government-wide financial statements consist of a statement of net assets and a statement of activities. These two statements provide information about the activities of the County "as a whole" and present current and long-term assets and liabilities (statement of net assets) and revenue and expenses (statement of activities). The statement of net assets is designed to help the reader determine whether the County's financial position is improving or deteriorating from year to year. The statement of activities is designed to help the reader determine the amount by which net assets changed from the prior year and possibly why the change occurred.

Fund Financial Statements. The fund financial statements focus on the individual funds of the County's government. These fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.

Governmental Funds. Governmental funds are used to report most of the County's basic services. These funds focus on the revenues coming in and expenditures going out on a cash basis. These funds provide a short-term view of the County's operations. The County currently has seven governmental funds and adopts a budget for each of these funds. They consist of the following:

Major Funds:

- General Fund
- Road Fund
- LGEA Fund
- Occupational Tax Fund

Non-Major Funds:

- Jail Fund
- 911 Fund
- Kentucky Land Heritage Grant

Proprietary funds. Proprietary funds are used to report operations the County treats as business-type activities. The focus is to earn a profit or at least break-even. The County currently has jail canteen fund. The county closed its jail in May 2005, but at the end of the fiscal year, the canteen fund still existed.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for another group or individual. Activities from these types of funds are not included in the government-wide financial statements because the County cannot use the assets from the funds in daily operations. The County currently does not have any fiduciary funds.

Notes to the Financial Statements. The notes to the financial statements provide expanded explanation about the government-wide and fund financial statements and are essential to the reader in obtaining a better understanding of the information provided within the financial statements.

Livingston County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Required Supplementary Information. The budgetary comparison schedule for the general fund and other special revenue funds deemed "major" provide information that supplements the government-wide and fund financial statements.

Supplementary Information. The combining schedules provide information about all other "non-major" funds of the County.

Basis of Accounting. The County has elected to present all financial information on the modified cash basis of accounting. Under this basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense in the government-wide statement of activities. Furthermore, certain assets such as accounts receivable and certain liabilities such as accounts payable are not recorded in the financial statements. Readers should consider the limitations of this basis of accounting when reviewing the financial statements.

Government-wide Financial Analysis

The financial statements include all activities for which the County is fiscally responsible. These activities, which make up the reporting entity, are the activities of the primary government (County) only.

The financial information of the County "as a whole" is reported in the two government-wide financial statements. One question to ask is whether the County is in better financial shape than last year. The two government-wide financial statements will help answer the question. The following sections provide condensed financial information derived from the two government-wide financial statements.

Comparative analysis of government-wide financial statements.

Statement of Net Assets

	Prior Year	Current Year	Difference
Total Current Assets	\$ 1,755,638	\$ 1,793,249	\$ 37,611
Total Noncurrent Assets	3,391,707	3,789,278	397,571
Total Assets	<u>\$ 5,147,345</u>	<u>\$ 5,582,527</u>	<u>\$ 435,182</u>
Total Current Liabilities	\$ 4,866	\$	\$ 4,866
Total Noncurrent Liabilities	10,426		10,426
Total Liabilities	<u>\$ 15,292</u>	<u>\$ 0</u>	<u>\$ 15,292</u>
Total Net Assets	<u>\$ 5,132,053</u>	<u>\$ 5,582,527</u>	<u>\$ 450,474</u>

At June 30, 2005, the majority of the County's assets are invested in capital assets (land, buildings, infrastructure, etc.). The current assets represent cash available in all funds June 30, 2005.

Livingston County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Comparative analysis of government-wide financial statements (continued)

Statement of Activities

	Prior Year	Current Year	Difference
<u>Revenues:</u>			
Charges for Service	\$ 501,848	\$ 358,524	\$ (143,324)
Operating Grants	765,543	1,078,559	313,016
Capital Grants	2,319,910	610,600	(1,709,310)
General Revenues	1,727,270	1,965,563	238,293
Total Revenues	5,314,571	4,013,246	(1,301,325)
<u>Expenses:</u>			
General Government	1,070,843	1,215,367	(144,524)
Protection to Persons and Property	1,069,472	1,043,350	26,122
General Health and Sanitation	278,275	275,800	2,475
Social Services	17,277	7,635	9,642
Recreation and Culture	17,157	40,894	(23,737)
Roads	650,364	949,180	(298,816)
Debt Service	4,089	9,056	(4,967)
Capital Projects	7,051	19,528	(12,477)
Total Expenses	3,114,528	3,560,810	(446,282)
Change in Net Assets	\$ 2,200,043	\$ 452,436	\$ (1,747,607)

During the year ended June 30, 2005, revenues fell short of expenditures by \$724,567 in governmental activities. Revenues for the year ending June 30, 2005 were \$4,013,246. This total does not include any surplus from the prior year. This amount does include Homeland Security and Weapons of Mass Destruction grant money of \$146,765. Also, litter abatement money of \$23,593. The County received a grant of \$10,689 for the Senate 66 grant. The Senate 66 grant money was saved to include with money received in 2005/2006 fiscal year to use toward purchase of new ambulance. The County also received \$50,876 for storm damage repair for the road fund.

Financial Analysis of the County's Funds

Fund financial statements generally distinguish between major funds and non-major funds with major funds presented in individual separate columns. The County's governmental funds reflect a combined fund balance of \$1,790,925. The general fund's total fund balance decreased by \$33,507. The general fund's total fund balance at June 30, 2005 is unreserved which means it is available for spending on day-to-day operations. The road fund's total fund balance increased by \$134,869. The LGEA showed a decrease of \$35,672. The Occupational Tax Fund showed increase of \$5,220. The Kentucky Land Grant Fund decreased by \$10,928. The 911 fund decreased by \$15,792. The jail fund decreased by \$5,357 with the general fund transferring \$325,000 to the jail fund. Overall total fund balance increased by \$38,833 from the previous year.

**Livingston County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Budgetary Highlights

The county amended the original budget by \$926,136 to reflect increases in prior year carryover and other accounts. Various expenditures were increased by a total of \$926,136 as well. Also, throughout the year, the County made various line item transfers within the budget to increase certain line items while subsequently decreasing other line items. These types of transactions have no effect on the budget's bottom line. Throughout the year, expenditures were on target with the budget and within the limits of revenue coming into the County.

Capital Assets

The County's investment in capital assets at June 30, 2005 was \$3,782,858 in Governmental Activities.

Debt

During the fiscal year, the County paid off a lease for a rescue truck in the amount of \$15,292.

During the fiscal year, the County participated in the Kentucky Advance Revenue Program by issuing notes of \$633,800 under the General Fund and \$129,600 under the Road Fund.

Economic Factors and Next Year's Budget

The County incurred a \$3,300,000 debt as it pledged its general obligations for an interim loan related to the financing of the Ledbetter Water District. This loan is anticipated to be retired by the end of the fiscal year 2005-2006.

While establishing the next year's budget, the County considered many factors including the economy and mandated appropriations, both funded and unfunded. The County knows of no new taxes or new programs, which will affect the future.

Contacting the County

This report is designed to provide a general overview of the County's financial condition for all interested citizens. Questions concerning any of the information contained in this report may be directed to the County Judge/Executive or County Treasurer, Livingston County PO Box 70, Smithland, KY 42081.

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LIVINGSTON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

LIVINGSTON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,790,925	\$ 2,324	\$ 1,793,249
Total Current Assets	<u>1,790,925</u>	<u>2,324</u>	<u>1,793,249</u>
Noncurrent Assets:			
Land & Land Improvement	973,854		973,854
Capital Assets - Net of Accumulated Depreciation			
Buildings	1,066,643		1,066,643
Vehicles and Equipment	1,080,723	6,420	1,087,143
Infrastructure Assets - Net of Depreciation	<u>661,638</u>		<u>661,638</u>
Total Noncurrent Assets	<u>3,782,858</u>	<u>6,420</u>	<u>3,789,278</u>
Total Assets	<u>5,573,783</u>	<u>8,744</u>	<u>5,582,527</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,782,858	6,420	3,789,278
Unrestricted	<u>1,790,925</u>	<u>2,324</u>	<u>1,793,249</u>
Total Net Assets	<u>\$ 5,573,783</u>	<u>\$ 8,744</u>	<u>\$ 5,582,527</u>

The accompanying notes are an integral part of the financial statements.

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LIVINGSTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

LIVINGSTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,215,367	\$ 14,959	\$ 130,096	\$
Protection to Persons and Property	1,043,350	310,070	201,940	
General Health and Sanitation	275,800	33,009	23,873	
Social Services	7,635			
Recreation and Culture	40,894			
Roads	949,180	486	722,650	610,600
Interest on Short-term and Long-term Debt	9,056			
Capital Projects	19,528			
Total Governmental Activities	3,560,810	358,524	1,078,559	610,600
Business-type Activities:				
Jail Canteen	7,024	5,062		
Total Business-type Activities	7,024	5,062		
Total Primary Government	\$ 3,567,834	\$ 363,586	\$ 1,078,559	\$ 610,600

General Revenues:

Taxes:

Real Property Taxes

Motor Vehicle Taxes

Occupational Taxes

In-Lieu-of Tax

Other Taxes

Excess Fees

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,070,312)	\$	\$ (1,070,312)
(531,340)		(531,340)
(218,918)		(218,918)
(7,635)		(7,635)
(40,894)		(40,894)
384,556		384,556
(9,056)		(9,056)
(19,528)		(19,528)
(1,513,127)		(1,513,127)
	(1,962)	(1,962)
	(1,962)	(1,962)
\$ (1,513,127)	\$ (1,962)	\$ (1,515,089)
408,007		408,007
54,861		54,861
802,877		802,877
218,102		218,102
214,866		214,866
29,359		29,359
182,187		182,187
55,304		55,304
1,965,563		1,965,563
452,436	(1,962)	450,474
5,121,347	10,706	5,132,053
\$ 5,573,783	\$ 8,744	\$ 5,582,527

The accompanying notes are an integral part of the financial statements.

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LIVINGSTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

LIVINGSTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>LGEA Fund</u>	<u>Occupational Tax Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 394,463	\$ 455,797	\$ 287,299	\$ 575,154
Total Assets	<u>\$ 394,463</u>	<u>\$ 455,797</u>	<u>\$ 287,299</u>	<u>\$ 575,154</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 45,413	\$ 90,078	\$ 15,651	\$ 4,758
Unreserved:				
General Fund	349,050			
Special Revenue Funds		365,719	271,648	570,396
Total Fund Balances	<u>\$ 394,463</u>	<u>\$ 455,797</u>	<u>\$ 287,299</u>	<u>\$ 575,154</u>

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2005
(Continued)

Non- Major Funds	Total Governmental Funds
<u>\$ 78,212</u>	<u>\$ 1,790,925</u>
<u><u>\$ 78,212</u></u>	<u><u>\$ 1,790,925</u></u>
\$ 14,535	\$ 170,435
	\$ 349,050
<u>63,677</u>	<u>1,271,440</u>
<u><u>\$ 78,212</u></u>	<u><u>\$ 1,790,925</u></u>

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 1,790,925
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
and Therefore Are Not Reported in the Funds.	4,838,221
Depreciation	<u>(1,055,363)</u>
Net Assets Of Governmental Activities	<u><u>\$ 5,573,783</u></u>

The accompanying notes are an integral part of the financial statements.

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LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road Fund	LGEA Fund	Occupational Tax Fund
REVENUES				
Taxes	\$ 613,190	\$	\$ 35,679	\$ 802,877
In Lieu Tax Payments	218,102			
Excess Fees	29,359			
Licenses and Permits	14,954			
Intergovernmental	257,811	1,048,447	371,581	10,689
Charges for Services	23,957	245	31,564	261,812
Miscellaneous	26,812	26,216	56,836	23,519
Interest	19,626	13,296	7,932	13,895
Total Revenues	<u>1,203,811</u>	<u>1,088,204</u>	<u>503,592</u>	<u>1,112,792</u>
EXPENDITURES				
General Government	504,651		39,210	49,116
Protection to Persons and Property	113,517		137,648	664,260
General Health and Sanitation	27,626	20,815	209,015	13,323
Social Services	6,744		12,062	
Recreation and Culture	16,672		20,944	
Roads	6,122	755,256	60,205	292,477
Capital Project				
Debt Service	640,688	131,015	16,045	
Administration	290,098	175,849	44,135	28,396
Total Expenditures	<u>1,606,118</u>	<u>1,082,935</u>	<u>539,264</u>	<u>1,047,572</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(402,307)</u>	<u>5,269</u>	<u>(35,672)</u>	<u>65,220</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds	633,800	129,600		
Transfers From Other Funds	60,000			
Transfers To Other Funds	(325,000)			(60,000)
Total Other Financing Sources (Uses)	<u>368,800</u>	<u>129,600</u>		<u>(60,000)</u>
Net Change in Fund Balances	(33,507)	134,869	(35,672)	5,220
Fund Balances - Beginning	<u>427,970</u>	<u>320,928</u>	<u>322,971</u>	<u>569,934</u>
Fund Balances - Ending	<u>\$ 394,463</u>	<u>\$ 455,797</u>	<u>\$ 287,299</u>	<u>\$ 575,154</u>

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended 2005
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 28,800	\$ 1,480,546
	218,102
	29,359
	14,954
56,322	1,744,850
11,666	329,244
7,504	140,887
555	55,304
<u>104,847</u>	<u>4,013,246</u>
	592,977
357,029	1,272,454
	270,779
	18,806
	37,616
	1,114,060
19,528	19,528
	787,748
85,367	623,845
<u>461,924</u>	<u>4,737,813</u>
<u>(357,077)</u>	<u>(724,567)</u>
	763,400
325,000	385,000
	(385,000)
<u>325,000</u>	<u>763,400</u>
(32,077)	38,833
<u>110,289</u>	<u>1,752,092</u>
<u>\$ 78,212</u>	<u>\$ 1,790,925</u>

The accompanying notes are an integral part of the financial statements.

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**LIVINGSTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

LIVINGSTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	38,833
--	----	--------

Amounts Reported For Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Are Allocated over their Estimated Useful Lives and Reported as Depreciation Expense.

Proceeds from Sale of Capital Assets		(102)
Loss on Sale of Capital Assets		(764)
Capital Outlay		606,835
Depreciation Expense		(207,658)

The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect On Net Assets.

Financing Obligation Proceeds		(763,400)
-------------------------------	--	-----------

Lease and Bond Principal Payments Are Expensed in the Governmental Funds As a Use of Current Financial Resources.

Financing Obligations Principal Amount		778,692
--	--	---------

Change in Net Assets of Governmental Activities	\$	452,436
---	----	---------

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LIVINGSTON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

LIVINGSTON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

	Business-Type Activities
	Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 2,324
Total Current Assets	<u>2,324</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	7,900
Less Accumulated Depreciation	<u>(1,480)</u>
Total Noncurrent Assets	<u>6,420</u>
Total Assets	<u>8,744</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	6,420
Unrestricted	<u>2,324</u>
Total Net Assets	<u>\$ 8,744</u>

The accompanying notes are an integral part of the financial statements.

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LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities <hr/> Enterprise Fund <hr/>
	Jail Canteen Fund <hr/>
Operating Revenues	
Canteen Receipts	\$ 5,062
Total Operating Revenues	<hr/> 5,062 <hr/>
Operating Expenses	
Cost of Sales	5,151
Educational and Recreational	687
Depreciation	740
Miscellaneous	446
Total Operating Expenses	<hr/> 7,024 <hr/>
Operating (Loss)	<hr/> (1,962) <hr/>
Change In Net Assets	(1,962)
Total Net Assets - Beginning	<hr/> 10,706 <hr/>
Total Net Assets - Ending	<hr/> \$ 8,744 <hr/>

The accompanying notes are an integral part of the financial statements.

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LIVINGSTON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

LIVINGSTON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities <hr/> Enterprise Fund <hr/>
	Jail Canteen Fund <hr/>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 5,062
Cost of Sales	(5,151)
Educational and Recreational	(687)
Miscellaneous	(446)
Net Cash Provided By Operating Activities	<hr/> (1,222)
Net (Decrease) in Cash and Cash Equivalents	(1,222)
Cash and Cash Equivalents - July 1, 2004	<hr/> 3,546
Cash and Cash Equivalents - June 30, 2005	<hr/> \$ 2,324 <hr/>
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating (Loss)	\$ (1,962)
Adjustments to Reconcile Operating Income To Net Cash (Used) By Operating Activities	
Depreciation Expense	<hr/> 740
Net Cash (Used) By Operating Activities	<hr/> \$ (1,222) <hr/>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Livingston County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Kentucky law provides for election of the officials below from the geographic area constituting Livingston County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Livingston County, Kentucky.

Additional Livingston County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund (LGEA) - The purpose of this fund is to account for grants received from the Local Government Economic Assistance Program to be used to improve the environment for new industry and to improve the quality of life for the residents. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Occupational Tax Fund - The purpose of this fund is to account for payroll tax receipts and expenses. The occupational tax fund may be used for general-purpose expenses that the county budgeted for general government, protection to persons and property, general health and sanitation, roads, and administration for the fiscal year. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Jail Fund, 911 Fund, and Kentucky Land Heritage Grant Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Occupational Tax Fund, 911 Fund, and Kentucky Land Heritage Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land	\$ 12,500	10-60
Land Improvements	\$ 7,500	10-60
Buildings and Building Improvements	\$ 7,500	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 10,000	10-50

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

I. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which the county is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the county appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered to be a related organization of Livingston County Fiscal Court: Senior Citizens Center.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based upon these criteria, the Crittenden-Livingston Water District and the Ballard, Carlisle, & Livingston Public Library are considered to be jointly governed organizations of the Livingston County Fiscal Court.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 958,417	\$ 15,437	\$	\$ 973,854
Total Capital Assets Not Being Depreciated	958,417	15,437		973,854
Capital Assets, Being Depreciated:				
Buildings	1,413,256			1,413,256
Vehicles and Equipment	1,327,451	352,931	(6,000)	1,674,382
Infrastructure	538,262	238,467		776,729
Total Capital Assets Being Depreciated	3,278,969	591,398	(6,000)	3,864,367
Less Accumulated Depreciation For:				
Buildings	(321,301)	(25,312)		(346,613)
Vehicles and Equipment	(485,916)	(112,877)	5,134	(593,659)
Infrastructure	(45,622)	(69,469)		(115,091)
Total Accumulated Depreciation	(852,839)	(207,658)	5,134	(1,055,363)
Total Capital Assets, Being Depreciated, Net	2,426,130	383,740	(866)	2,809,004
Governmental Activities Capital Assets, Net	\$ 3,384,547	\$ 399,177	\$ (866)	\$ 3,782,858

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 7,900	\$	\$	\$ 7,900
Total Capital Assets Being Depreciated	7,900			7,900
Less Accumulated Depreciation For:				
Vehicles and Equipment	(740)	(740)		(1,480)
Total Accumulated Depreciation	(740)	(740)		(1,480)
Total Capital Assets, Being Depreciated, Net	7,160	(740)		6,420
Business-Type Activities Capital Assets, Net	\$ 7,160	\$ (740)	\$ 0	\$ 6,420

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 6,046
Protection to Persons and Property	61,187
General Health and Sanitation	5,021
Social Services	10,506
Recreation and Culture	3,278
Roads, Including Depreciation of General Infrastructure Assets	<u>121,620</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 207,658</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 740</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 740</u>

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Short-term Debt

In July 2004, Livingston County participated in the Kentucky Association of Counties Advance Revenue Program (KARP) in both the General Fund and Road Fund by issuing notes in the amount of \$633,800 and \$129,600 respectively, with principal and interest being due in January 2005. The County used the borrowed funds to purchase a certificate of deposit in order to earn a better interest rate. For the fiscal year, the County earned interest on the certificate of deposit of \$8,184 and paid interest of \$8,303 to the Kentucky Association of Counties Advance Revenue Program.

Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Kentucky Advance Revenue Program	\$ 0	\$ 763,400	\$ 763,400	\$ 0	\$ 0
Governmental Activities Short-term Liabilities	\$ 0	\$ 763,400	\$ 763,400	\$ 0	\$ 0

Note 5. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 15,292	\$ 0	\$ 15,292	\$ 0	\$ 0
Governmental Activities Long-term Liabilities	\$ 15,292	\$ 0	\$ 15,292	\$ 0	\$ 0

Note 6. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$752 in interest on financing obligations and \$8,304 in interest on short-term debt.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 7. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

The Livingston County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2005, Livingston County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 10. Subsequent Events

A. Financing Agreement - Ledbetter Sewer System Project

On July 1, 2005, Livingston County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the financing of a sewer system project for the Ledbetter Water District, Livingston County, Kentucky. The principal of the lease is \$3,300,000 with repayment to be made over a 14-year period starting in August 2005. Principal payments are due annually on January 20, in variable amounts; interest at a rate of three percent plus associated fees are due monthly in various amounts. The Livingston County Fiscal Court has also entered into an interlocal agreement with the Ledbetter Water District stating that the water district will pledge their general revenues to payments on the loan.

B. Financing Agreement - Hospital and Health Care Services Project

In May 2006, Livingston County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) to finance the renovation of the hospital located in Livingston County, Kentucky. The principal of the lease is \$1,000,000 with repayment to be made over a 20-year period starting June 2006. Principal payments are due monthly on the 20th of each month, in variable amounts. Interest at a fixed rate of 4.50 percent plus associated fees are due monthly in variable amounts.

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LIVINGSTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

LIVINGSTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 561,900	\$ 561,900	\$ 613,190	\$ 51,290
In Lieu Tax Payments	204,900	204,900	218,102	13,202
Excess Fees	4,810	4,810	29,359	24,549
Licenses and Permits	10,250	10,250	14,954	4,704
Intergovernmental Revenue	164,050	259,666	257,811	(1,855)
Charges for Services	28,500	28,500	23,957	(4,543)
Miscellaneous	72,900	74,738	26,812	(47,926)
Interest	18,000	18,000	19,626	1,626
Total Revenues	<u>1,065,310</u>	<u>1,162,764</u>	<u>1,203,811</u>	<u>41,047</u>
EXPENDITURES				
General Government	532,697	579,108	504,651	74,457
Protection to Persons and Property	44,850	152,050	113,517	38,533
General Health and Sanitation	46,050	29,346	27,626	1,720
Social Services	4,000	7,001	6,744	257
Recreation and Culture	8,000	16,675	16,672	3
Roads	80,000	47,075	6,122	40,953
Debt Service	503,600	640,689	640,688	1
Administration	568,413	568,201	290,098	278,103
Total Expenditures	<u>1,787,610</u>	<u>2,040,145</u>	<u>1,606,118</u>	<u>434,027</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(722,300)</u>	<u>(877,381)</u>	<u>(402,307)</u>	<u>475,074</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	500,000	633,800	633,800	
Transfers From Other Funds	180,000	180,000	60,000	(120,000)
Transfers To Other Funds	<u>(363,700)</u>	<u>(363,700)</u>	<u>(325,000)</u>	<u>38,700</u>
Total Other Financing Sources (Uses)	<u>316,300</u>	<u>450,100</u>	<u>368,800</u>	<u>(81,300)</u>
Net Changes in Fund Balance	(406,000)	(427,281)	(33,507)	393,774
Fund Balance - Beginning	<u>406,000</u>	<u>427,281</u>	<u>427,970</u>	<u>689</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 394,463</u>	<u>\$ 394,463</u>

LIVINGSTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 842,100	\$ 1,078,779	\$ 1,048,447	\$ (30,332)
Charges for Services	750	750	245	(505)
Miscellaneous	14,000	15,366	26,216	10,850
Interest	13,500	13,500	13,296	(204)
Total Revenues	870,350	1,108,395	1,088,204	(20,191)
EXPENDITURES				
General Health and Sanitation	22,000	25,256	20,815	4,441
Roads	702,200	884,610	755,256	129,354
Debt Service		131,015	131,015	
Administration	379,150	517,640	175,849	341,791
Total Expenditures	1,103,350	1,558,521	1,082,935	475,586
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(233,000)	(450,126)	5,269	455,395
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds		129,600	129,600	
Total Other Financing Sources		129,600	129,600	
Net Changes in Fund Balance	(233,000)	(320,526)	134,869	455,395
Fund Balance - Beginning	233,000	320,526	320,928	402
Fund Balance - Ending	\$ 0	\$ 0	\$ 455,797	\$ 455,797

LIVINGSTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u>	<u>Final Budget</u> <u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
REVENUES				
Taxes	\$ 49,500	\$ 49,500	\$ 35,679	\$ (13,821)
Intergovernmental Revenue	183,000	236,265	371,581	135,316
Charges for Services			31,564	31,564
Miscellaneous		48,739	56,836	8,097
Interest	3,750	3,750	7,932	4,182
Total Revenues	<u>236,250</u>	<u>338,254</u>	<u>503,592</u>	<u>165,338</u>
EXPENDITURES				
General Government	60,875	82,744	39,210	43,534
Protection to Persons and Property	15,000	139,693	137,648	2,045
General Health and Sanitation	158,675	259,604	209,015	50,589
Social Services	13,700	13,822	12,062	1,760
Recreation and Culture	16,250	23,650	20,944	2,706
Roads	30,000	60,205	60,205	
Debt Service	5,531	16,045	16,045	
Administration	187,219	64,920	44,135	20,785
Total Expenditures	<u>487,250</u>	<u>660,683</u>	<u>539,264</u>	<u>121,419</u>
Net Changes in Fund Balances	(251,000)	(322,429)	(35,672)	286,757
Fund Balances - Beginning	<u>251,000</u>	<u>322,429</u>	<u>322,971</u>	<u>542</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 287,299</u>	<u>\$ 287,300</u>

LIVINGSTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	OCCUPATIONAL TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 730,000	\$ 730,000	\$ 802,877	\$ 72,877
Intergovernmental Revenues	11,600	11,600	10,689	(911)
Charges for Services	280,000	280,000	261,812	(18,188)
Miscellaneous	11,400	11,400	23,519	12,119
Interest	8,500	8,500	13,895	5,395
Total Revenues	1,041,500	1,041,500	1,112,792	71,292
EXPENDITURES				
General Government	51,400	53,972	49,116	4,856
Protection to Persons and Property	634,250	716,986	664,260	52,726
General Health and Sanitation	10,000	13,324	13,323	1
Roads	236,850	292,478	292,477	1
Administration	480,000	353,864	28,396	325,468
Total Expenditures	1,412,500	1,430,624	1,047,572	383,052
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(371,000)	(389,124)	65,220	454,344
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds				
Transfers To Other Funds	(180,000)	(180,000)	(60,000)	120,000
Total Other Financing Sources (Uses)	(180,000)	(180,000)	(60,000)	120,000
Net Changes in Fund Balances	(551,000)	(569,124)	5,220	574,344
Fund Balances - Beginning	551,000	569,124	569,934	810
Fund Balances - Ending	\$ 0	\$ 0	\$ 575,154	\$ 575,154

LIVINGSTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**LIVINGSTON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2005

LIVINGSTON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	Jail Fund	911 Fund	Kentucky Land Heritage Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 906	\$ 39,811	\$ 37,495	\$ 78,212
Total Assets	<u>\$ 906</u>	<u>\$ 39,811</u>	<u>\$ 37,495</u>	<u>\$ 78,212</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 406	\$ 1,503	\$ 12,626	\$ 14,535
Unreserved:				
Special Revenue Funds	<u>500</u>	<u>38,308</u>	<u>24,869</u>	<u>63,677</u>
Total Fund Balances	<u>\$ 906</u>	<u>\$ 39,811</u>	<u>\$ 37,495</u>	<u>\$ 78,212</u>

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LIVINGSTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

LIVINGSTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	Jail Fund	911 Fund	Kentucky Land Heritage Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$ 28,800	\$	\$ 28,800
Intergovernmental	47,722		8,600	56,322
Charges for Services	11,425	241		11,666
Miscellaneous	7,454	50		7,504
Interest		555		555
Total Revenues	<u>66,601</u>	<u>29,646</u>	<u>8,600</u>	<u>104,847</u>
EXPENDITURES				
Protection to Persons and Property	313,635	43,394		357,029
Capital Projects			19,528	19,528
Administration	<u>83,323</u>	<u>2,044</u>		<u>85,367</u>
Total Expenditures	<u>396,958</u>	<u>45,438</u>	<u>19,528</u>	<u>461,924</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(330,357)</u>	<u>(15,792)</u>	<u>(10,928)</u>	<u>(357,077)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	<u>325,000</u>			<u>325,000</u>
Total Other Financing Sources	<u>325,000</u>			<u>325,000</u>
Net Change in Fund Balances	(5,357)	(15,792)	(10,928)	(32,077)
Fund Balances - Beginning	<u>6,263</u>	<u>55,603</u>	<u>48,423</u>	<u>110,289</u>
Fund Balances - Ending	<u>\$ 906</u>	<u>\$ 39,811</u>	<u>\$ 37,495</u>	<u>\$ 78,212</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Christopher K. Lasher, Livingston County Judge/Executive
Members of the Livingston County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Livingston County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 30, 2006. Livingston County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Livingston County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Livingston County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of the Livingston County Fiscal Court, management, and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 30, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

LIVINGSTON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**

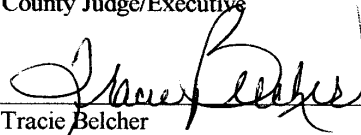
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LIVINGSTON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Livingston County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Chris Lasher
County Judge/Executive



Tracie Belcher
County Treasurer